

The banner features a dark background with a geometric pattern of squares and rectangles on the left side. On the right side, there is a grayscale image of a building's dome, likely the Oregon State Capitol.

GOVERNOR EHRLICH'S

2006 Legislative Package

Nurse Support Program Assistance Fund

Long Term Care Tax Credit

Advanced Medical Directives

Medical Malpractice

Witness Intimidation

Prohibition on Electronic Access to Witness Information

Sexual Offender Compliance and Enforcement Act

Sober Teen Driving

Homeland Security - Continuity of Government

Video Lottery Terminals

Military Retirement Tax Credit

Veterans Organizations - Sales/Use Tax Exemption

Research and Development Tax Credit

Re-couple Estate Tax

Solar Energy Grant

Homeowners' Tax Credit

Energy Tax Credit

Biotechnology Investment Incentive

Historic Preservation Tax Credit

Net Energy Metering – Solar capacity



GOVERNOR EHRLICH'S 2006 Nurse Support Program Assistance Fund

Background:

Like many states, Maryland is experiencing a nursing shortage. According to a 2003 report by the Center for Health Workforce Development at the University of Maryland, Maryland has a shortage of 3,000 registered nurses. By 2012, the shortage will reach 17,000. Under the direction of Governor Ehrlich, the Maryland Higher Education Commission (MHEC) has implemented several initiatives to combat the shortage, including administering the Health Services Cost Review Commission's Nurse Support Program Assistance Fund.

Governor Ehrlich's Nurse Support Program Assistance Fund:

- Effective July 1, 2005, the Health Services Cost Review Commission (HSCRC) increased hospital rates by 0.1 percent to raise \$94 million over ten years for the Nurse Support Program Assistance Fund, or \$9.4 million per year.
- Through a memorandum of understanding with HSCRC, MHEC will administer the Fund to increase the number of bedside nurses in Maryland hospitals and increase the capacity of Maryland's nursing schools.
- Since the Fund uses special funds designated for a specific purpose, legislation is required to create a special fund to ensure remaining monies stay in the Fund to support the training of nurses and do not revert to the State's general fund at the end of each fiscal year.
- Funds for the Nurse Support Program will be transferred from HSCRC to MHEC for distribution and designated for two types of projects for nurses: (1) Competitive Grant Programs and (2) Statewide Initiatives.
- Competitive Institutional Grants will be awarded through a request for application process to a consortium of Maryland higher education institutions and Maryland hospitals, individual Maryland higher education institutions, and partnerships of Maryland higher education institutions.
 - There is no maximum grant award – the size of the competitive grants will depend on the project's ability to impact the nursing shortage in a timely manner.
 - Competitive funding is available for five types of grants: (1) initiatives to expand Maryland's nursing capacity through shared resources; (2) initiatives to increase Maryland's nursing faculty; (3) initiatives to increase nursing student retention; (4) initiatives to increase the pipeline for nursing faculty; and (5) any combination of the above.
- Statewide Initiatives will be administered through an application process and will not require submission of a grant proposal.
- Statewide Initiative funding is available for: (1) the Graduate Nursing Scholarship and Living Expenses Grant; (2) a new Nursing Faculty Fellowship; and (3) State Nursing Scholarship and Living Expenses.



GOVERNOR EHRLICH'S

2006 Caregivers' Tax Relief Initiative

Background:

The Census Bureau reports that nationally approximately 9 million people have disabilities or illnesses so severe that they require personal assistance to perform everyday tasks. Approximately 80 percent of the primary caregivers who assist disabled individuals with these activities are relatives, half of which live with the disabled individual. According to the Census Bureau, on average, caregivers spend about twenty-four hours per week providing long-term care. Caregivers tend to be low to moderate income, women, and between the ages of fifty-five and sixty-four.

Governor Ehrlich's Caregivers' Tax Relief Initiative:

- Individuals whose spouse or dependent are certified by a licensed physician as requiring long-term care for 180 consecutive days during a tax year are established as eligible for an income tax subtraction modification.
- Eligible individuals must have an income less than or equal to \$150,000; the dependent requiring care must have an income no greater than \$10,000.
- Eligible individuals are allowed to subtract \$1,000 from their federal adjusted gross income, resulting in a lower Maryland adjusted gross income, to assist with expenses related to providing care for disabled relatives.
- The tax subtraction modification will cost \$3 million in general funds.
- The Department of Budget and Management estimates that approximately 63,158 caregivers will benefit from the subtraction modification, with up to half of them being individuals providing care for elderly relatives.
- The National Multiple Sclerosis Society recently stated that it "is extremely pleased to hear about the Governor's support for tax relief for Family Caregivers. The care and support provided by these individuals allows their elderly or chronically ill family member to remain in a caring environment that fosters their connection to their loved ones and the community. We support the Governor's efforts to provide much needed assistance to these families."



GOVERNOR EHRlich's 2006 Advance Directive Registry Initiative

Background:

An advance directive allows an individual to record end-of-life wishes on a legally binding document so there is no uncertainty as to the person's end-of-life wishes. In some instances, because medical professionals are unaware of an individual's advance directive, a person's end-of-life wishes are not honored. A rising need exists for a universal, easily accessible method that will help health care providers know a person has planned end-of-life wishes through an advance directive.

Governor Ehrlich's Advance Directive Registry Initiative: Advance Directive Registry

The Governor's legislation creates an Advance Directive Registry at the Department of Health and Mental Hygiene (DHMH). The bill also would allow DHMH to contract with a private company for registry services and adopt regulations to establish fees.

- DHMH would maintain an electronic database that would be accessible via the Internet, telephone hotline, and in-person support services. Registrants and certain health care facilities representatives would have access to the database 24 hours a day, seven days a week.
- Registration of advance directives with DHMH would be voluntary, not mandatory.
- Registrants would be responsible to register, amend or revoke an advance directive, while DHMH would be responsible for reviewing and verifying the signature of the declarant, signature of two witnesses and date of the advance directive.
- The Registry at DHMH would include an Immunity Clause for health care providers.
- DHMH would provide education and outreach regarding the registry.

Office of Health Care Quality Regulation Review

- DHMH will convene a workgroup of stakeholders to review and evaluate health care facility regulations with regard to: (1) definitions, (2) requirements for policies and procedures, (3) patient's bill of rights, (4) surrogacy and patient representatives, and (5) training needs.

Driver's License and Identification Cards Designation

- Maryland would be following other states' lead. Hawaii, Illinois, Iowa, Minnesota, Montana and Ohio all have implemented a similar program to place a notation on a person's driver's license or ID card to show the individual has an advance directive.
- With the Governor's legislation, the Motor Vehicle Administration (MVA) will place a notation on an applicant's driver's license or identification card if the applicant has an advance directive. The MVA would only place the notation on the license or card with the express consent of the applicant.
- The MVA would place the notation on a license when an individual first gets a driver's license or identification card, or when they are up for renewal. If an individual wishes to have this notation on a license outside of the renewal cycle, the individual will be able to submit an application to the MVA, which will send a sticker to be placed on the license until the license is up for renewal.



GOVERNOR EHRLICH'S 2006 Medical Malpractice Legislation

Governor Ehrlich will introduce legislation to reform the State's laws on medical malpractice. Governor Ehrlich believes that more reforms are needed in order to ensure that the citizens of the State continue to have access to quality health care. The bill will make the following changes.

Expert Testimony - The bill will require the plaintiff to file a separate certificate of merit for each defendant, ensuring that a medical expert has determined that there is a basis for proceeding against each named defendant.

The bill will address the problem of “hired gun” experts who make a living by consulting on legal issues and not practicing medicine. Currently, an expert may devote annually up to 20% of the expert's professional activities to activities that directly involve testimony in personal injury claims, which allows an expert to spend a substantial amount of time consulting on personal injury cases. The bill will specify that an expert cannot spend more than 20% of his or her time on matters that are unrelated to the care and treatment of an individual and lead or could lead to testimony in personal injury claims.

The bill will also require a court on motion of a party to appoint a neutral expert on the issue of damages. This will allow the jury to hear from an independent source on the issue of damages, rather than relying on the experts paid by the parties.

The bill will adopt the *Dalbert* rule, based on a United States Supreme Court case, on admissibility of expert testimony. This rule will grant the court more responsibility in determining whether the testimony of an expert should be admissible in evidence.

Economic Damages - Economic damages serve to compensate a plaintiff for the money lost by the plaintiff due to the injury. Current law allows a plaintiff in a medical malpractice case to be overcompensated for damages in some circumstances. This bill will make the following changes to the law on economic damages. First, if a plaintiff has received compensation from another source, such as insurance or worker's compensation, the plaintiff's damages will be reduced by any amount paid, although the cost of obtaining the benefit will be awarded to the plaintiff. Secondly, any award for lost wages will be reduced by the amount the plaintiff would have had to pay in income taxes if the money had been earned as wages. Thirdly, future damages for medical, hospital, or nursing home bills will be limited to the amount paid by Medicare.

Noneconomic Damages - Noneconomic damages are money damages designed to compensate a plaintiff for injuries for which there is no monetary loss, typically pain and suffering. The current cap is \$650,000, or \$812,500 in wrongful death cases involving more than one beneficiary. The bill will provide a single cap of \$500,000 for both personal injury and wrongful death cases.

Apology Statute - The bill will strengthen the law providing that an apology by a health care provider is not admissible in evidence. This will encourage frank discussion between health care providers and patients when a procedure results in an unintended consequence.

Civil Procedures - The bill will make two changes applicable to all civil cases. First it will allow all jurors who hear a case to take part in the deliberations and decision, as long as there are at least six jurors. Under current law, alternate jurors sit on juries and hear the case, but do not take part in the deliberations unless a regular juror is unable to serve.

The bill will also establish that the rate of interest on judgments shall relate to the actual rate of interest being paid on investments. Specifically, the rate will be the weekly average 1-year constant maturity treasury yield, instead of the 10% interest that the law currently provides.

Task Force - The bill will establish a task force to study various other issues relating to medical malpractice, including structured judgments, patient safety issues, administrative compensation for a birth-related neurological injury, and health care malpractice insurance reforms.



GOVERNOR EHRLICH'S Witness Intimidation Legislation

- Governor Ehrlich will introduce legislation to strengthen the victim and witness intimidation law that was passed last year. The law passed last year provides for increased penalties for persons who intimidate victims and witnesses in cases of crimes of violence and serious drug crimes. The law also provides for a hearsay exception in these cases, allowing certain types of statements made out of court by victims and witnesses who were subject to intimidation to be admissible as evidence during the trial of a crime of violence or serious drug crime.
- Victim and witness intimidation continues to be a plague on the criminal justice system. The Baltimore City State's Attorney's Office estimates that witness intimidation occurs in 90% of their cases. It is a direct assault on the integrity of our society. Further action is needed to combat this threat.
- Governor Ehrlich proposes legislation that will add to the list of crimes to which the hearsay exception and the increased penalties apply. Second-degree assault is the charge that is most commonly used in domestic violence cases. In these cases the abuser will often attempt to intimidate a spouse or partner. The bill provides that when a second-degree assault case is brought in a circuit court that hearsay evidence can be introduced in the trial if intimidation has occurred. A person who participates in intimidation in any second-degree assault case will be subject to the enhanced penalties under the law.
- The bill also adds several serious sexual crimes and crimes involving child kidnapping and child abuse to the list of crimes to which the hearsay exception and the enhanced penalties apply. These types of cases involve some of our most vulnerable citizens who are most in need of additional protection against intimidation.



GOVERNOR EHRLICH'S 2006 Victim and Witness Protection Legislation

Court Electronic Records – Personal Information – Victims & Witnesses

- Governor Ehrlich has long been a supporter of victim's rights. Last year he sponsored legislation designed to protect victims and witnesses from intimidation. This year, in addition to sponsoring legislation to strengthen the victim and witness intimidation law, Governor Ehrlich will introduce legislation that will prohibit access to electronic court records containing identifying information relating to victims and witnesses in criminal cases, juvenile cases, and other protective order cases.
- In 2004 the Court of Appeals adopted new rules designed to establish procedures on access to court records. The general rule is that a court record kept in an electronic form is open to inspection to the same extent that paper records are open to inspection. The problem is that this potentially opens up records that will allow easy access to identifying the identities and other information relating to the whereabouts of victims and witnesses in a case. A person could sit at a computer and obtain this information without anyone knowing. This could enable persons seeking to silence or intimidate a victim or witness to find the victim or witness more easily.
- Governor Ehrlich's bill will prohibit the electronic access to court records that contain personal information, the electronic mail address, or the place of employment of a victim or witness. Personal information includes a person's address, telephone number, photograph, driver's license number, and social security number. The bill will apply to the following cases: criminal proceedings, juvenile delinquency proceedings, domestic violence proceedings, child in need of assistance proceedings, child in need of supervision proceedings, and peace order proceedings.
- The bill will not prohibit access to the information contained in court files at the courthouse. A person who wishes to obtain personal information on a victim or witness contained in a public court file will still be able to obtain the information. The person will have to visit the clerk's office at the courthouse to obtain it. This is something lawyers and others who are involved in legal proceedings do on a routine basis. While the ability to obtain the information electronically may be more convenient, convenience alone does not justify the risk to victims and witnesses.



GOVERNOR EHRLICH'S

Sex Offender Compliance & Enforcement in Maryland

Governor Ehrlich strongly believes that protection of our children is one of the highest priorities of the State. For this reason he will introduce legislation that will crack down on sex offenders, particularly those who fail to obey the State's law requiring sex offenders to register periodically with law enforcement agencies. The bill will do the following.

- Any sexually violent predator or child sexual offender who does not receive a life sentence will, upon release, face mandatory supervision with the possibility of electronic monitoring for life;
- Double required minimum registration for all sexual offenders from 10 to 20 years; Increase *minimum* registration requirements from annual to twice per year with a requirement that all sexual offenders provide a new photograph once a year; Increase registration requirement for child sexual offenders from annual to four times per year. Require all sex offenders to register in person;
- Notwithstanding any other parole or probation laws or regulations, all sexual offenders released from correctional facilities will continue to be under parole/probation supervision for a minimum of 20 years;
- Expand current school trespassing laws to prohibit sexual offenders from entering public or private school property or property used as a childcare facility without permission;
- Increase penalty for failure to register from misdemeanor to felony and increase maximum sentence from three years to five years. Felony convictions and arrest warrants can be entered in National Crime Information Center database for enforcement and apprehension;
- Prohibit certain sexual offenders from living near a public or private school;
- Require all registrants who have not previously provided a DNA sample to do so no later than their next registration;
- Require that sexual offender registrations be included in the Maryland Criminal Justice Information System (CJIS) to allow childcare centers and others who use CJIS Records for employment purposes to know of sexual offender registrations;
- Create a Sexual Offender Compliance and Enforcement Advisory Board to advise the Governor and General Assembly on best practices in the use of electronic monitoring systems, supervision and treatment methods for offenders, operation of the Sexual Offender Registry, and enhancements to law enforcement efforts to ensure compliance and apprehend non-compliant sexual offenders; and
- Empower courts and the Division of Parole and Probation to utilize electronic monitoring systems in supervising sexual offenders.



GOVERNOR EHRlich'S

2006 Sober Teen Driving Initiative

Background:

- The tragic statistics regarding young drivers are alarming: 106 people between age 13 and 20 were killed on Maryland roads in 2003; 110 were killed in 2004; and motor vehicle crashes are the #1 killer of teenagers nationwide.
- According to a recent scientific survey, 27% of Maryland licensed twelfth graders have driven after consuming one to four drinks and 14% also report having driven after having had five or more drinks (2004 Maryland Adolescent Survey). The severity of crashes increases with the involvement of alcohol and drivers are less likely to use seatbelts when they have been drinking.
- Teens are not getting the message that drinking and driving is a recipe for disaster. In order to prevent future accidents, it is critical to impose stiffer penalties on Maryland's young drivers when they make the often-fatal decision to drive after drinking alcohol or using drugs.
- The presence of alcohol while driving leads to a decrease in the necessary safety precautions and an increase in the probability of a fatal accident. Governor Ehrlich believes stiffer penalties will encourage stronger parental involvement and greater awareness among teens about the dire consequences of drinking and driving.

Governor Ehrlich's Initiative:

- Governor Ehrlich led efforts during the 2005 Session to make young drivers safer by increasing parental involvement, driver education, and practice driving while decreasing unsafe and distracted driving. More must be done to protect Maryland's youngest and least experienced drivers, confront the issue of teen deaths on Maryland's highways, encourage parental involvement in driving instruction, and raise the awareness of these issues for all Marylanders.
- The Governor will continue his leadership role during the 2006 Session with legislation that will suspend the license of a driver under the age of 21 convicted of an alcohol or drugged driving offense for three years or until the driver turns 21, whichever is longer. Under current law, drivers under 21 convicted of DWI/DUI are not treated any differently than those over 21, despite the fact that alcohol consumption is illegal. This legislation will serve as a powerful deterrent to underage drinking and driving.
- There is no excuse for anyone to drive under the influence of drugs or alcohol; this is especially true for those under 21 who are not allowed to consume alcohol in the first place. This bill will establish that drinking and driving while underage is an especially serious violation of the law and deserves a serious punishment.
- The Motor Vehicle Administration has the responsibility to take away driving privileges from those who use it to endanger the lives of others or themselves. Young drivers must understand there are consequences to driving under the influence of alcohol or drugs.



GOVERNOR EHRLICH'S 2006 Gubernatorial Succession Legislation

- The terrorist attacks of September 11, 2001 have provoked conversations at various levels of government about the adequacy of existing executive succession plans contained in constitutions and statute.
- Governor Ehrlich believes Maryland must examine the state Constitution's executive succession provisions to determine whether another plan of succession is warranted. Accordingly, Governor Ehrlich is proposing legislation to create the *Task Force to Study Gubernatorial Succession in Maryland*.
- This legislation proposes a task force consisting of representatives of both the legislative and executive branches of state government, as well as several members of the public at large. Staff assistance is to be provided by the Department of Legislative Services. The task force is directed to report its findings and recommendations to the Governor and the General Assembly by December 31, 2006.



GOVERNOR EHRLICH'S

Public Education & Bridge to Excellence School Construction Act

Governor Ehrlich will introduce legislation to allow video lottery terminals, underscoring his commitment to ensuring the future of the Maryland horse racing industry as well as providing funds to deal with Maryland's long term budget commitments to fund public education. The bill will provide funds for the Thornton Commission recommendations regarding adequate funding for public education. In addition, this year the legislation will allow up to \$400 million of the proceeds to be used for funding school construction and renovations. The bill contains the following components.

Oversight - The State Lottery Commission is charged with regulating video lottery facilities.

Number of Video Lottery Terminals and Locations – The bill authorizes up to 15,500 video lottery terminals (VLT's) to be placed at six locations in the State. Four of the locations are the following horse racetracks: the Pimlico Race Course in Baltimore City, the Laurel Race Course in Anne Arundel County, the Rosecroft Raceway in Prince George's County, and the racetrack scheduled to be built in Allegany County. In addition, there will be no more than two nonracetrack destination locations to be located in two of the counties along the I-95 corridor: Prince George's County, Howard County, Baltimore County, Baltimore City, Harford County, and Cecil County.

Video Lottery Facility Location Commission - A nine-member Video Lottery Facility Location Commission is established to decide whether to award a VLT license to a facility. The decision on whether to award a license will be based on competitive bids submitted by the applicants for a license. In addition to awarding a license, the Commission shall also determine the number of VLT's to be awarded to a facility. The Commission may award no more than 5,000 VLT's to any one facility, no more than 7,500 VLT's in any county, and no more than 6,000 VLT's to a person that holds more than one VLT facility license.

License Fees – A facility that is awarded a license must pay an upfront license fee of \$3 million for each 500 VLT's awarded to the facility. The initial VLT licenses are valid for 15 years. If all of the VLT's are awarded, a total of \$91 million in initial license fees will go to the Education Trust Fund.

Minority Participation – One of the factors that the Video Lottery Facility Location Commission must consider when awarding a license is the percentage of minority participation in the ownership of the facility. A licensee must also meet the minority business participation requirements for facility construction and procurement. In addition, 20% of the proceeds for local development grants in the counties with a VLT facility are required to go to small, minority, and women-owned businesses.

Distribution of Proceeds - The average annual payout percentage to players of VLT's shall be not less than 90% but not more than 95%, unless the Lottery Commission allows a greater percentage. The Comptroller shall distribute the proceeds to a new Education Trust Fund to fund the Thornton Commission's Bridge to Excellence, school construction, VLT licensees,

horse race purses and horse breeders (including \$250,000 annually for medical care for jockeys), and local governments where a VLT facility is located.

Local Government Support - In addition to the distribution of funds described above, the bill establishes local development grants for the areas where VLT facilities are located. Each county with a VLT facility is required to appoint a local development council to advise the county on the best use of the proceeds. The proceeds should be used for infrastructure improvements, public safety, and other needs in the communities in the immediate proximity to where the facility is located.

The bill also provides that the State may pay for the reasonable transportation costs necessary to mitigate the impact on the communities in immediate proximity to the VLT facilities and to make VLT facilities accessible to the public.

Compulsive Gambling Fund - The bill assesses a \$390 fee per VLT terminal to be paid by VLT operation licensees that will be placed into a Compulsive Gambling Fund administered by the Department of Health and Mental Hygiene.



GOVERNOR EHRLICH'S 2006 Military Retiree Legislation

- **Background:** Governor Ehrlich's 2003 Task Force on Military Retirees found that retired military personnel households spent over \$2.5 billion on goods and services in Maryland, generating nearly \$100 million in sales and real estate tax revenues.
- Governor Ehrlich believes it should be a foremost priority to attract and retain veterans and retirees. The relocation of these military retirees to a more "tax friendly" state like Pennsylvania, Delaware, North Carolina or New Jersey would jeopardize our state and local economy.
- If Maryland does not attract military retirees, the State will lose the skills of highly trained service personnel who are essential to economic growth as well as lose considerable tax revenue.
- Maryland is home to nearly 500,000 veterans, and the number of Maryland's full service, military retirees is expected to increase by 1.5 percent annually.
- **Governor Ehrlich's Initiative:** The Governor's legislative proposal will expand the Maryland Income Tax Subtraction modification for Maryland's veterans. The Governor's bill will phase-in the amount of income subject to taxation until 100 percent of military retirement income is exempt. The Governor's plan will take effect as though the measure had passed last year and shall be applicable to all taxpayers beginning after December 31, 2005.
- Approximately 46,243 Maryland's full service, retired military citizens would benefit from this legislation.
- This legislation fulfills a commitment Governor Ehrlich made to Maryland's military retirees in the summer of 2002.
- Governor Ehrlich's fiscal year 2006 budget provides the funding necessary for the Maryland General Assembly to make this commitment a reality.
- The Governor's initiative is a significant testament to the men and women who have dedicated their professional lives to the defense, safety and security of our Nation.



GOVERNOR EHRLICH'S

2006 Sales & Use Tax Exemption for Veterans Organization

Governor Ehrlich, through this legislative proposal, would add veterans' organizations to the existing list of Maryland groups exempt from State sales and use taxes.

This proposal would add the exemption for “ A SALE TO A BONA FIDE NATIONAL ORGANIZED AND RECOGNIZED ORGANIZATION OF VETERANS OF THE ARMED FORCES OF THE UNITED STATES” to that Section of Maryland Tax Law which presently exempts organizations such as Volunteer Fire Companies and Parent Teacher Associations.



GOVERNOR EHRLICH'S 2006 Research & Development Tax Credit

- The Maryland Research and Development (R&D) Tax Credit is one of the most popular tax incentives that the Department of Business and Economic Development administers. Increasing the amount of the credit will provide a significant incentive to businesses and will allow Maryland to compete with neighboring states that offer larger incentives.
- This bill will make Maryland competitive with its neighboring states by increasing the limit of the basic and growth credits to \$6 million each and caps the amount an individual company may qualify for at \$500,000 per credit. By limiting the amount an individual company may receive per credit, Maryland is providing a benefit to smaller companies that currently receive a small portion of the available R&D tax credit.
- In each of the four years of the program, the full \$6 million has been allocated and the credit has been oversubscribed. The use of the credits is dependent upon an entity's ability to generate taxable income.
- State R&D Tax Credit programs around the country are expanding and Maryland must increase its R&D Tax Credit to remain competitive. Pennsylvania recently increased the caps on its R&D program to \$15 million per credit.
- Maryland ranks 1st among states in federal and university R&D, but only 14th in industry R&D. Accordingly, this bill promotes more industry-based R&D activity.
- The current R&D Tax Credit statute provided for two tax credits for qualified *Maryland* research and development: a *basic* research credit for research expenditures equal to or less than the average expenditure of previous years and a larger *growth* tax credit for research expenditures in excess of previous year's average. The basic credit was 3% and the growth credit was 10%. The statute also limited each of the two credits to \$3 million for all applicants. In anticipation that the nominal credits would exceed the limits, the statute required that the actual credits be granted on a *pro rata* basis.



GOVERNOR EHRLICH'S 2006 Estate Tax Modernization

- Governor Ehrlich will modernize the State's estate tax by tying it closer to the Federal estate tax. With today's rising real estate values, combined with life insurance and pension plans, many more Marylanders are surprised to learn that they are subject to this tax.
- Historically, taxes levied by most states were linked, or "coupled", to their corresponding federal taxes. Recent actions by the Maryland General Assembly have severed some of these links, adversely affecting taxpayers. This "decoupling" led to a rise in Maryland state taxes and caused an increase in the complexity of an already complex tax system.
- Surveys show that these so-called "death taxes" are the least favored types of taxes, both among wage earners, small business owners and farmers. Congress recognized this and has passed legislation that raises the amount exempt from federal death taxes from \$1 million to \$3.5 million over time. However, as a result of the decoupling, the Maryland estate tax only exempted \$1 million in assets. In addition, the Maryland estate tax is imposed when the first spouse of a married couple died; historically, this tax was not imposed until the surviving spouse died.
- As a result of decoupling, a married couple in Maryland worth over \$1 million, including the price of a home, small business or farm, could be faced with a Maryland estate tax of \$64,400 this year and rising as high as \$229,200 in 2009. These taxes are due within 270 days of death.
- Governor Ehrlich's proposal will eliminate this unfairness by recoupling the federal and Maryland estate taxes. As a result, beneficiaries of owners of many small businesses, farms or homes that have significantly appreciated in value, will no longer have to face the situation of selling that asset to satisfy a massive state tax bill. In addition to benefiting the business owner, it will also protect the jobs of those who work for a small business.
- If the Governor's proposal becomes law, many Marylanders who have spent their lives building up small businesses or farms will no longer have to worry that their savings and other assets will be lost through the tax system when they pass. Governor Ehrlich believes modernizing this tax is a fiscally responsible way to provide tax fairness for farmers, small business owners and their families while simplifying an already-burdensome tax code.



GOVERNOR EHRLICH'S

2006 Solar and Wind Energy Grant Program

- The Solar and Wind Energy Grant Program was originally signed into law in April 27, 2004. The program allows grants for a portion for the installation costs of qualifying solar energy systems.
- The Governor has added an additional \$2.5 million to the Solar and Wind Energy Grant Program to greatly enhance the program.
- This bill will expand the program to encourage production of clean, renewable energy by:
 - Increasing grants for installing solar electric equipment up to 50% of a qualifying systems cost until Dec. 31, 2008. Maximum grants for Photovoltaic: \$20,000 for residential property and \$60,000 for nonresidential property. Maximum grants for Solar Water Heating: \$3,500 for residential property and \$10,000 for nonresidential property.
 - After 2008, grant amounts will be reduced to 40% of a qualifying systems cost. Maximum grants for Photovoltaic - \$15,000 for residential property and \$45,000 for nonresidential property. Maximum grants for Solar Water Heating - \$3,000 for residential property and \$8,000 for nonresidential property.
 - Offering citizens a renewable electricity production credit of \$1.00 per kilowatt-hour of electricity produced from qualified photovoltaic energy sources during the first year of operation. The credit is capped at \$10,000 per project. The program also offers a credit of \$1 per kilowatt-hour of electricity produced from a qualified small wind generator during the first year of operation. The credit will be capped at \$10,000 per project.
- As oil prices rise, so does the demand for a stable, renewable and environmentally friendly alternative energy source. This bill responds to that demand by providing citizens with increased assistance in diversifying the energy they consume.
- Allowing increased incentives will make this program more attractive to Maryland citizens and put the program on par with solar energy programs offered by other mid-Atlantic states. Other jurisdictions in the region, such as Delaware and New Jersey, offer incentives for solar property of up to 50% and 70%, respectively. In Delaware, the state has a grant program for certain renewable energy systems, including photovoltaic and solar water heating systems with maximum grant amounts for Photovoltaic - \$22,500 for residential property and \$250,000 for nonresidential property; and maximum grant amounts for Solar Water Heating - \$3,000 for residential property and \$250,000 for nonresidential property.
- The current program was budgeted at only \$75,000 in FY 2006. The Governor's is showing his commitment to the Solar and Wind Energy Program by appropriating \$2.5 million for the enhanced program



GOVERNOR EHRLICH'S 2006 Homeowners Tax Credit Legislation

- Governor Ehrlich will introduce legislation to overhaul the Homeowners' Property Tax Credit Program to ensure that as many as 50,000 qualified homeowners are not forced from their homes due to rising assessments. The Governor believes his proposal will ensure that Marylanders who have earned the dream of homeownership can keep it.
- The Homeowners' Property Tax Credit Program assists homeowners with low and moderate incomes with their property taxes. The Governor's proposal will reduce the average current recipient's July 1, 2006 property tax bill by \$167.
- The Governor's proposal will increase the maximum assessment on which a credit may be granted from \$150,000 to \$300,000. The maximum assessment was last increased by the General Assembly in 1989. Since that time, residential assessments have risen over 91 percent.
- In order to help the lowest income individual, the Governor is proposing to change the income brackets so that zero percent of a homeowner's first \$8,000 is earmarked as able to be contributed to property taxes. The income brackets were last changed by the General Assembly in 1998. Governor Ehrlich also proposes that defined contribution plans such as a 401(k) not be counted as a part of an individual's net worth when applying for the tax credit.
- The Homeowners' Property Tax Credit Program is based on the theory that some property owners can only pay a certain level of property taxes based on his or her income. The program was designed so that no homeowners are taxed out of their home. The proposed legislation establishes a maximum household income of \$55,000 for eligibility.
- In 2005, the Homeowners' Tax Credit program assisted over 48,000 property owners by paying over \$39 million in property taxes Statewide. The proposed legislation will cost an additional \$12.6 million in Fiscal Year 2007.



GOVERNOR EHRLICH'S

2006 Energy Tax Credit – Home Heating System Upgrades

- Governor Ehrlich is initiating a new Home Energy Efficiency Program as part of his Clean and Renewable Energy Initiative. This exciting initiative will provide a credit against personal income taxes for the purchase and installation of certain qualified heating and cooling equipment.
- The Home Energy Efficiency Program is a part of the Clean and Renewal Energy Initiative which the Governor has committed a total of \$9 million.
- This bill consists of two parts:
 - A matching program with the new federal Energy Policy Act of 2005 Residential Energy Incentives portion where the State of Maryland would provide residents with up to 25% or \$500 maximum tax credit for equipment listed in the heating and cooling components table, and;
 - A one-time credit of up to 25% of the cost of an ENERGY STAR qualified home heating system or a maximum of \$500 per household.
- By upgrading their current qualifying heating and cooling residential equipment, Maryland residents could realize up to \$800 in tax credits by combining both the federal and state tax credits for the purchase of highly efficient heating and cooling equipment. Eligible equipment includes: electric heat pump water heaters; electric heat pumps; geothermal heat pumps (open, closed and direct expansion); furnace fans; central air conditioners; and natural gas, propane or oil water heaters.
- Maryland residents could also choose ENERGY STAR qualified heating equipment and receive up to \$500 without using the equipment standards specified in the Energy Policy Act. The maximum benefit to any household would be \$500 in Maryland tax credits for the lifetime of the program.
- Residents who choose to apply for credits for either program would apply on-line for a “Tax Credit Coupon” and send the appropriate documentation to the Comptroller’s Office for processing. The Comptroller’s Office would track the dollar level of the credits provided to Maryland residents. Over 9,000 Marylanders could receive energy efficiency tax credits under this Program.



GOVERNOR EHRLICH'S 2006 Biotechnology Investment Incentive Act

- Governor Ehrlich continues his commitment to science and technology in Maryland by investing \$6 million in new operating funds for the Biotechnology Tax Credit to implement the legislation passed in the 2005 legislative session.
- The Biotechnology Tax Credit was initially established to incentivize new investment in an industry key to Maryland's economic strength.
- The Biotechnology Tax Credit allows tax credits for individual (angel) and corporate investors, and for Maryland venture capital firms that invest in small Maryland-based biotechnology companies.
- This bill makes several improvements to the Biotechnology Act. The bill promotes fiscal responsibility by imposing a three-year waiting period before an investor may receive a credit, and eliminates the ability to make the credit available as a refund. Additionally, the bill caps the amount of tax credit available for investments made in a single company.
- In response to the wishes of the biotech investment community, the Governor has increased the cap on the amount of tax credit available in a given fiscal year. The bill also imposes restrictions related parties' eligibility for the credit.
- The Governor's new enhancements to the Biotechnology Tax Credit program increase the value of the incentives and clearly outline eligibility standards and protections.
- The bill also addresses specific Commerce Clause issues that the Attorney General raised during the interim.



GOVERNOR EHRLICH'S

Maryland Heritage Structure Rehabilitation Tax Credit Program

- Governor Ehrlich continues his commitment to the Arts in Maryland by investing \$266 million for the Historic Preservation Grant Program.
- When the tax credits were threatened with termination, Governor Ehrlich appointed a bipartisan Task Force (2003) composed of both state officials and concerned citizens to develop effective reforms for extension of the program. This effort was consistent with Governor Ehrlich's longstanding commitment to historic preservation.
- This legislation will eliminate the restrictions on how much credit may be awarded to any one jurisdiction, and instead substitutes a truly statewide competition for tax credits based on merit. The Program would continue to rate and rank applications.
- Currently, projects must be completed within 24 months of the time the credits are awarded or risk being lost. This provision resulted in many requests for waivers.
- This bill will change the “use-it-or-lose-it” provision to 30 months; which should be sufficient for almost all projects. Additionally, the bill will eliminate the provision that penalizes properties that are “contributing within historic districts designated by local governments” – as opposed to properties listed on the National Register. Instead, the bill reverts to pre-2004 provisions that treated the various categories of historic designations as baseline requirements for eligibility.
- Governor Ehrlich continues to be committed to the development and enhancement of the Historic Preservation Grant Program.



GOVERNOR EHRLICH'S

2006 Net Energy Metering Initiative

- Governor Ehrlich's Net Energy Metering program represents another tier in his environmental priorities initiative. This change in the law will credit customers who generate more electricity than they use.
- The Net Energy Metering Program is a part of the Governor Ehrlich's \$9 million Clean and Renewal Energy Initiative.
- Under current law, Maryland's Net Energy Metering law does not allow a customer to carry-over excess generation from one month to another. If a customer generates more than they consume on a net monthly basis, the excess generation is given to the electric company for free.
- This bill assists energy consumers by allowing customers to receive a credit for any excess generation. The credit would be carried over from one month to another.
- This initiative is similar to how excess generation is treated in other states with net metering laws.